

partly to economize the use of specie. In the latter respect it has been eminently successful, the proportion paid in specie having declined from 39.5 per cent, in 1876 to 16.8 per cent, in 1900. The number of these current accounts increased from 3245 in 1876 to 15,847 in 1900 and the average amount of the credit of such accounts from 70,580,000 marks in 1876 to 512,200,000 marks in 1900.<sup>x</sup>

In two other respects the Imperial Bank has conformed in recent years to modern methods of giving flexibility to its resources and strengthening its control over the money market. One of these is the accumulation of foreign bills, particularly those drawn on England, in its portfolio. President Koch, discussing this policy early in December, 1906, declared that it was the practice of the bank to buy these bills, at times when they were low and to sell them later, when, in consequence of the higher rate of exchange, there might otherwise be danger of gold exports.<sup>2</sup> The other measure is that known in England as "borrowing from the market." This process consists in offering Treasury bills for re-discount in the open market, thereby absorbing surplus cash and preventing a too rapid fall in the open market rate of discount.<sup>8</sup>

The policy of accumulating foreign bills to meet demands for exchange has been adopted by several European banks in recent years and has been under serious discussion at the Bank of France. "While a resource of admitted value within certain limits, it is not a complete substitute for changes in the discount rate, because it does not in itself control the movement of floating capital. The Austro-Hungarian Bank was one of the first to adopt the system in 1894 and employed it to advantage in the period of uneasiness caused by the

<sup>1</sup>Palgrave, *Bank Rate and the Money Market*, 161.

<sup>2</sup>*London Economist*, December 8, 1906, LXIII, 2006.

•This was done in February, 1908, when 40,000,000 marks in Treasury bills were thus offered and President Havenstein declared that the fall in the open market-rate did not represent the real state of the market.—Berlin letter in *New York Evening Post*, February 29, 1908.